



PASADENA WATER AND POWER

November 4, 2016
Submitted Electronically

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Pasadena Water and Power Comments on October 21, 2016 Mandatory Reporting and Cap-and-Trade Workshop in connection with the Post 2020 allocation methodology.

Pasadena Water and Power (PWP) appreciates the opportunity to provide the following comments to the California Air Resources Board (CARB) on the October 21, 2016 CARB public workshop on Mandatory GHG Reporting and Cap and Trade Program proposed regulations.

PWP is a publicly owned utility of the City of Pasadena with a service area population of over 141,000 residents within 23 square miles. We are committed to providing safe and reliable water and power with superior customer service at reasonable rates.

PWP supports the continuation of the Cap and Trade Program and market based mechanisms as these are feasible strategies toward continued GHG emission reduction efforts beyond 2020. Additionally, PWP encourages CARB's decision to allocate allowances beyond the 2020 compliance year. However, the post-2020 allocation methodology raises a number of concerns because this approach imposes a 24% reduction in Pasadena's allocation in 2021, while the loads are projected to increase. This is a very difficult decline to manage, as a steep reduction from the 2020 allocation would cause a significant rate impact to our customers. Additionally, the allocation does not provide for an increase in load due to transportation electrification.

The proposed post-2020 allocation methodology is the result of a combination of two limiting factors, (1) compliance with a 50% Renewable Portfolio Standards (RPS); and (2) an annual decline cap adjustment factor (CAF). Attaching double limiting factors to the methodology adversely affects a smooth transition between AB32 2020 goals and SB32 2030 targets. The electricity sector has reduced GHG emissions by its fair share. By applying both a CAF and a 50% RPS to the allocation methodology, Pasadena's 2020 allocation is reduced by over 75% in 2030. A reduction of this magnitude would result in tremendous rate increases. The protection

of the utility ratepayers has been one of the principal purposes for the allocation of allowances to the Electrical Distribution Utilities under AB32.

PWP recommends that CARB reconsider its post 2020 allocation methodology by remaining consistent with its 2013-2020 methodology. While the 2013-2020 allowance allocation provided for a linear decline in the cap by 2 to 3% annually, this was applied using a CAF only, however, the post-2020 allocation methodology applies both a CAF and RPS factor. Additionally, the RPS factor does not account for the procurement of unbundled resources, ¹(Portfolio Content Category 3) by assuming that all RPS procurement to meet the 50% RPS requirement in 2030 is procured with bundled RPS eligible resources.

The 2021-2030 EDU allocation methodology assumes no emission growth for transportation electrification (TE). PWP is requesting that CARB staff continue to talk with stakeholders to ensure that the assured growth due to TE is addressed in CARB's 15 day changes. With regard to the two options for load methodology under consideration, PWP would support load assumptions that incorporate a load increase over time.

PWP appreciates the opportunity to provide comments. Thank you for your consideration. Should you have any questions, please feel free to contact Badia Harrell at (626) 744-7918.

Sincerely,



Gurcharan Bawa
Interim General Manager
Pasadena Water and Power

GSB/BH

¹ SB 350 legislation allows for a maximum of 10% of the procurement of unbundled resources to meet an annual RPS requirement. PUC 399.16(c) (2).